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SUBJECT: BRAZIL: INDUSTRIAL AND TRADE ASSOCIATIONS PUSH FOR GREATER
USG-GOB COLLABORATION

¶1. Summary: At a March 10 meeting held at the Sao Paulo headquarters of the Federation of Industries of the State of Sao Paulo (FIESP), Brazilian industrialists presented USTR Ambassador Susan Schwab with a joint statement issued by eight Brazilian industrial and trade associations that calls for closer USG-GOB collaboration in trade negotiations, double taxation issues, and biofuels cooperation. The eight associations sent copies of the statement to Brazilian Foreign Minister Amorim and Ambassador Schwab, and asked that it be forwarded to POTUS. It remains to be seen what effect the joint statement will have on GOB trade policy, although clearly it focuses even greater attention on industry's desire for increased engagement with the U.S. End Summary.

¶2. The statement, issued collectively by FIESP, the National Confederation of Industry (CNI), the Federation of Industries of the State of Rio de Janeiro (FIRJAN), the Brazil - United States Business Council, the American Chamber of Commerce in Brazil (AMCHAM Brazil), the Brazilian Center of International Relations (CEBRI), the Brazil Competitive Movement (MBC), and the Institute for International Trade Negotiations (ICONE), underlined the inefficacy of existing bilateral cooperative mechanisms in strategically enhancing economic relations between Brazil and the U.S.

¶3. Instead, the communique called for aligning U.S. - Brazil bilateral economic interaction along the same strategic lines the USG currently has with India and China, and recommended that both governments concentrate their efforts on areas where both the U.S. and Brazil have the possibility to obtain a "win-win" outcome.

¶4. These industrial and trade organizations stressed the importance of USG and GOB cooperation to a successful Doha Round outcome and said both governments should look to complementary bilateral or hemispheric trade negotiations. The communication also emphasized the need for both countries to negotiate an agreement on double taxation to enhance investment flows and to cooperate closely on biofuel programs, which, in their eyes, would include a reduction in biofuel tariffs.

¶5. Full text of the English translation of the statement provided by the group to Ambassador Schwab follows:

Begin text of Joint Statement:

- Federation of Industries of the State of Sao Paulo (FIESP)
- National Confederation of Industry (CNI)
- Federation of Industries of the State of Rio de Janeiro (FIRJAN)
- Brazil - United States Business Council
- American Chamber of Commerce in Brazil (AMCHAM Brazil)
- Brazilian Center of International Relations (CEBRI)
- Brazil Competitive Movement (MBC)
- Institute for International Trade Negotiations (ICONE)

Joint Statement

Brazil-United States economic relations have become varied and complex. This is due to the growth in trade and investment between the two countries, to technological innovation in several areas of knowledge and to the evolution of the political and economic context at hemispheric and global levels.

However, mechanisms for bilateral cooperation have not kept up with these developments and have been insufficient to serve and enhance, from a strategic perspective, the relations between Brazil and the United States.

In recent years, many initiatives have been launched at the bilateral level. Despite their relevance, they were not able to promote an upgrade in the bilateral relations and to foster significant actions in the public and the private sectors.

We advocate the importance of adopting, in the Brazil-US relations, a strategic view comparable to those established between the United States and other important emerging countries, such as China and India.

We believe that both governments must adopt a more ambitious agenda, concentrating their cooperative efforts in selected strategic issues

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where Brazil and the United States are relevant players and where it is possible to reach win-win solutions. Such an agenda must necessarily include the following issues:

- Trade negotiations: Brazil and the United States play a leadership role at the WTO and should join efforts for the success of a balanced and ambitious agreement at the Doha Round. Cooperation in the WTO must be complemented by bilateral or hemispheric preferential trade negotiations with the aim of granting market access in goods and services, promoting investments, competitiveness, innovation and property rights.

- Agreement to avoid double taxation: the negotiation and ratification of an agreement to avoid double taxation is justified by the intensity and quality of the bilateral relations and, mainly, by the growth of Brazilian investments in the United States. The legal security derived from an agreement on this issue is critical to promote new and increased investment flows between the two countries.

- Biofuels: Brazil and the United States are aware of the importance of biofuels to their hemispheric and bilateral agendas as well as to multilateral trade, energy and environmental agendas. The memorandum of understanding to be signed by both countries is a first step towards the establishment of a cooperation program that must include: research and development in the agricultural and industrial production phases, establishment of global standards and regulations for the products, bilateral investments in third countries, infrastructure and market access through the reduction of tariff barriers to the biofuels trade flows.

The presidential meetings provides (sic) the opportunity to stress the importance of developing a strategic relation that contributes not only to an expressive increase in bilateral trade and investment flows, but also to joint hemispheric and global initiatives, taking into consideration the particularities of each nation.

The Brazilian private sector intends to play a pro-active role in this process, formulating proposals and participating in the existing public-private mechanisms as well as in those to be created

to support the accomplishment of these complex and important objectives.

End Text of Joint Statement.

16. Embassy Brasilia contributed to this cable, which was cleared by Embassy Brasilia prior to transmission.

McMullen